

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:)	
)	
Home Federal Savings Bank)	OTS Order No.: March 5, 2009
Detroit, Michigan)	
)	
OTS Docket No. 05171)	Effective Date: CN 09-04
)	

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Home Federal Savings Bank, Detroit, Michigan (Institution), is a federally chartered savings association that is regulated by the Office of Thrift Supervision (OTS); and

WHEREAS, Section 38 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831o, and Part 565 of the OTS Regulations, 12 C.F.R. Part 565, require institutions that are undercapitalized to file a capital restoration plan specifying the steps the institution will take to become at least adequately capitalized; and

WHEREAS, Section 38 of FDIA, 12 U.S.C. § 1831o, requires the OTS to take prompt corrective action to resolve the problems of insured depository institutions at the least possible long-term loss to the deposit insurance fund; and

WHEREAS, Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, provides for the OTS's issuance of directives to take prompt corrective action to resolve the problems of insured depository institutions and to restore their capital; and

WHEREAS, the OTS, on November 22, 2008, notified the Institution that it was undercapitalized for purposes of the prompt corrective action provisions of Section 38 of FDIA, 12 U.S.C. § 1831o, and was required to submit a Capital Restoration Plan no later than January 5, 2009; and

WHEREAS, the Institution also is not in compliance with the capital standards required by Section 5(t) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(t); and

WHEREAS, Section 5(t)(6)(B)(ii) of HOLA, 12 U.S.C. § 1464(t)(6)(B)(ii), requires any institution not in compliance with the capital standards to comply with a capital directive issued by the OTS; and

WHEREAS, the Institution did not submit to OTS a capital restoration plan (Capital Plan) under Section 38(e)(2)(A) of the FDIA, 12 U.S.C. § 1831o(e)(2)(A) by January 5, 2009 ; and

WHEREAS, Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, provides for the issuance by the OTS of directives to take prompt corrective action to resolve the problems of insured depository institutions and to restore their capital: and

WHEREAS, the OTS having issued a Notice of Intent to issue this PCA Directive on January 27, 2009, has considered the Institution's response dated February 17, 2009; and has determined to issue this PCA Directive in order to resolve the Institution's problems at the least long term cost to the deposit insurance fund, thereby effectuating the purpose of Section 38 of FDIA, 12 U.S.C. § 1831o; and

WHEREAS, the OTS must impose one or more of the presumptive restrictions set forth in 12 U.S.C. § 1831o, especially 12 U.S.C. § 1831o(f)(3) and (4), if: (1) the institution is significantly or critically undercapitalized, (2) is undercapitalized and did not submit an acceptable capital restoration plan, or (3) the institution fails to implement an approved plan; and critically undercapitalized institutions are also subject to restrictions in 12 U.S.C. § 1831o(i);

NOW THEREFORE, pursuant to Section 38 of FDIA, 12 U.S.C. § 1831o, including but not limited to subsection (f) thereof, Section 5(t)(6)(B)(ii) of HOLA, 12 U.S.C. § 1464(t)(6)(B)(ii), and Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, OTS directs the Institution and its Board of Directors to do the following:

PART I – IMPROVING CAPITAL

Section 1.1 Required Recapitalization through Merger, Acquisition, or Sale

Pursuant to 12 U.S.C. §§ 1831o(f)(2)(A)(iii), the Institution must be recapitalized by (i) merging with or being acquired by another financial institution, financial holding company, or other entity, or (ii) the sale of all or substantially all of the Institution's assets and liabilities to another financial institution, financial institution holding company, or other entity, prior to June 30, 2009. The Institution shall submit a binding merger or acquisition agreement to the OTS no later than April 15, 2009, unless extended in writing by the OTS, whereby the resulting depository institution would be at least "adequately capitalized", as defined at 12 C.F.R. § 565.4.

Section 1.2 Efforts to Obtain Capital

The Board of Directors of the Institution shall at all times make diligent and good faith efforts to cause the Institution to comply with Section 1.1. For purposes of this PCA Directive, diligent and good faith efforts to seek capital shall include, but not be limited to, the following:

- (a) Authorize and direct appropriate Institution officers to take appropriate actions consistent with the Institution's obligations under Section 1.1, which include, but are not limited to, taking all reasonably practicable steps to remove impediments to accomplishing a merger, acquisition, or sale that increases capital;
- (b) Cause the Institution to hire such professionals as are necessary and appropriate to fulfill the Institution's obligations under Section 1.1; and
- (c) Cause the Institution to share appropriate information about itself with potential acquirors, merger partners or purchasers, including, but not limited to, any such potential acquirer, merger partner, or purchaser identified or referred to the Institution by the OTS or the Federal Deposit Insurance Corporation (FDIC).

The OTS requires this action pursuant to 12 U.S.C. § 1831o(f)(2)(J) having determined that such actions will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.3 Prior Notice Required

(a) The Institution and any subsidiary thereof shall not issue any securities or enter into any agreement, letter of intent, or understanding to merge, consolidate, sell all or substantially all of its assets and liabilities, or otherwise be acquired, or enter into any agreement or understanding to reorganize unless (i) the Institution has provided the OTS with prior written notice of its intention to take such action, and (ii) following such notice, the OTS has provided the Institution with prior written notice of its non-objection to the proposed action by the Institution.

(b) The OTS requires this action pursuant to 12 U.S.C. § 1831o(f)(2)(J) having determined that such actions will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.4 Ongoing Monitoring of Capital Category Required

(a) The Institution must monitor its own PCA capital ratios and provide written notice to OTS pursuant to 12 C.F.R. § 565.3, within 15 calendar days, of any material event that would cause the Institution to be placed into a lower PCA capital category.

(b) If the Institution falls into a lower PCA capital category, it must comply immediately with the appropriate additional restrictions contained in 12 U.S.C. § 1831o and 12 C.F.R. § 565.6.

(c) If the Institution should improve from a lower to a higher PCA capital category, it must continue to comply with each provision of this PCA Directive except to the extent the provision shall be modified, terminated, suspended or set aside by the OTS in writing.

(d) The OTS requires this action pursuant to 12 U.S.C. § 1831o(f)(2)(J) and based upon a determination by the OTS that such action will better carry out the purposes of Section 38 of the FDIA.

Section 1.5 Reports of Compliance

(a) No later than ten (10) days following the end of each month after the Effective Date, the Institution shall submit to the OTS, in a format acceptable to the OTS, a summary of actions taken, during the immediately preceding month, by the Institution and its Board of Directors and executive officers in furtherance of the Institution's efforts to arrange a merger, acquisition, or sale, as required by Section 1.1, including descriptions of any material discussions with potential acquiror(s) or merger partner(s) and any due diligence performed by potential acquiror(s) or merger partner(s).

(b) No later than ten (10) days following the end of each month after the Effective Date, management of the Institution shall prepare, and the Board of Directors of the Institution shall review, a written report concerning the Institution's compliance with each of the requirements of this PCA Directive during the preceding month. The report and review shall include verification of the Institution's prompt corrective action capital category and confirmation that the Institution is in compliance with: (i) all restrictions that apply automatically to an institution in that category, and (ii) with the other restrictions and requirements contained in this PCA Directive. This review shall be documented in the minutes of the meeting of the Board. All documentation considered by the Board in performing its review shall be explicitly referenced in the minutes of the meeting at which the review was undertaken.

(c) The Institution shall continue to provide status reports required by Section 1.5 (a) and (b) until directed otherwise by the Regional Director. The OTS requires this action pursuant to 12 U.S.C. § 1831o(f)(2)(J) and based upon a determination by the OTS that such action will better carry out the purposes of Section 38 of the FDIA.

Section 1.6 Adequate Progress

If the OTS, in its sole discretion, determines that the Institution is failing to make adequate progress towards achieving the requirements set forth in Sections 1.1 of this Directive, the OTS may take such further supervisory, enforcement or resolution action as it deems appropriate.

PART II - OPERATING RESTRICTIONS

Section 2.1 Compliance with Mandatory Restrictions

The Institution shall comply with all of the mandatory prompt corrective action provisions set forth in 12 U.S.C. § 1831o and 12 C.F.R. § 565.6 that automatically apply to the Institution based upon the Institution's prompt corrective action capital category. For an "undercapitalized" savings association that has not submitted a capital restoration plan, such as the Institution, the following restrictions apply:

(a) The Institution may not permit its average total assets during any calendar quarter to

exceed its average total assets during the preceding quarter unless (i) the OTS has accepted the Institution's capital restoration plan, (ii) the increase in assets is consistent with the plan, and (iii) the Institution's ratio of tangible equity to assets increases during the calendar quarter at a rate sufficient to enable the Institution to become adequately capitalized within a reasonable time. 12 U.S.C. § 1831o(e)(3); 12 C.F.R. § 565.6(a)(2)(iv).

(b) The Institution may not, directly or indirectly, acquire any interest in any company or insured depository institution, establish or acquire any additional branch office, or engage in any new line of business, unless (i) the OTS has accepted the Institution's capital restoration plan, the Institution is in compliance with the plan, and the OTS determines that the action is consistent with, and will further achievement of the plan, or (ii) the FDIC Board of Directors approves the action. 12 U.S.C. § 1831o(e)(4); 12 C.F.R. § 565.6(a)(2)(v).

(c) As required by 12 U.S.C. § 1831o(f)(1)(B)(i) for "undercapitalized" institutions that fail to submit a capital restoration plan, the Institution may not, without the OTS's prior written approval (i) pay any bonus to any Senior Executive Officer, as that term is defined in 12 C.F.R. § 563.555 or (ii) provide compensation to any Senior Executive Officer exceeding that Officer's average rate of compensation (excluding bonuses, stock options, and profit-sharing) during the 12 calendar months preceding the calendar month in which the Institution became undercapitalized. 12 U.S.C. § 1831o(f)(4); 12 C.F.R. § 565.6(a)(3).

Section 2.2 Compliance with Additional Restrictions From 12 U.S.C. § 1831o(f)

The provisions of 12 U.S.C. § 1831o(f) are applicable to the Institution because it did not file a capital restoration plan as required by 12 U.S.C. § 1831o(e)(2)(A). For an "undercapitalized" savings association that has not submitted a capital restoration plan, such as the Institution, the following restrictions apply:

(a) Interest Rate Restrictions. The Institution shall restrict the rates it pays on deposits to the prevailing rates of interest on deposits of comparable amounts and maturities in the Institution's normal market area, as determined by the OTS. Nothing herein shall be construed as requiring a reduction of rates paid on outstanding time deposits prior to their renewal. The OTS is imposing the restriction pursuant to 12 U.S.C. § 1831o(f)(2)(C).

(b) Restrictions on Activities Posing Excessive Risk. The OTS imposes these restrictions pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and (J), having determined that these activities pose excessive risk to the Institution in view of its deteriorating financial condition:

- (i) The Institution and its subsidiary shall not purchase, acquire, sell, or transfer any investment security, excluding overnight investments, without prior written approval of the OTS Central Regional Director.
- (ii) The Institution and its subsidiary shall limit its lending activity to the origination of owner-occupied, one- to four- family mortgage loans that have a documented loan-to-value ratio no greater than eighty percent (80%) at

origination, unless any loan amount in excess of eighty percent (80%) is insured by private mortgage insurance provided by an issuer approved by the Federal Home Loan Mortgage Corporation ("FHLMC") or the Federal National Mortgage Association ("FNMA"), and is one of the following types:

- A. A loan underwritten in accordance with criteria established for residential loans eligible for purchase by FHLMC or FNMA ("Conforming Loan"), with evidence in the loan file indicating that the loan does, in fact, conform to FHLMC and/or FNMA standards,
 - B. Guaranteed by the Department of Veterans Affairs against default ("VA Mortgage"), or
 - C. Insured by the Federal Housing Administration against default ("FHA Mortgage").
- (iii) Within (10) ten days of the Effective Date the Institution shall place its mortgage-backed securities in a safekeeping account at the Federal Home Loan Bank of Indianapolis.
- (iv) The Institution shall not accept, renew, or rollover any funds not fully insured by the FDIC.

Section 2.3 Compliance with Restrictions From 12 U.S.C. § 1831o(f)(2)(J)

The OTS imposes these restrictions pursuant to 12 U.S.C. §§ 1831o(f)(2)(J), having determined that such actions and restrictions will better carry out the purposes of 12 U.S.C. § 1831o.

(a) **Timely Responses.** The Institution shall respond to written requests from the OTS within the time frames given by the OTS in writing, unless the Institution requests an extension of a deadline in writing, which must be received by the OTS within the initial time frame, and the OTS approves an extension in writing.

(b) **Books and Records.** The Institution shall maintain complete and accurate books and records.

(c) **Cooperation with FDIC.** Upon notification that it is "critically undercapitalized" pursuant to 12 C.F.R. § 565.3, the Institution will cooperate fully with the FDIC's efforts to avoid a loss or otherwise minimize exposure to the Deposit Insurance Fund. Such cooperation includes, but is not limited to, responding to requests for information, providing full access to personnel, agents and service providers, accommodating on-site visits, and permitting the FDIC to provide otherwise confidential information to third parties to facilitate the liquidation or other resolution of the Institution in anticipation of the possible appointment of the FDIC as conservator, receiver, or other legal custodian. Nothing herein shall be interpreted to preclude such cooperation with the FDIC at any time prior to such time, as the Institution may become "critically undercapitalized."

Section 2.4 Compliance with Restrictions Other than 12 U.S.C. § 1831o

(a) The Institution may not accept, renew or roll over any brokered deposit. 12 U.S.C. § 1831f(a); 12 C.F.R. § 337.6(b)(3)(i).

(b) Unless the Institution is well capitalized as defined at 12 C.F.R. § 565.4, the Institution shall not accept new employee benefit plan deposits. The Institution may not accept new employee benefit plan deposits while it is adequately capitalized, as defined at 12 C.F.R. § 565.4, unless it obtains a brokered-deposit waiver from the FDIC. 12 U.S.C. § 1821(D)(ii).

PART III - RELIEF FROM RESTRICTIONS

Section 3.1 Waiver Requests.

(a) The Institution may submit written requests to the OTS, requesting the OTS to issue a notice of non-objection for the purpose of either relieving the Institution from certain restrictions hereunder or requesting OTS to provide notice of supervisory non-objection with respect to a particular specifically identified transaction, loan, or investment.

(b) Requests for written notice of the OTS's non-objection pursuant to subsection (a) above must be accompanied by a resolution of the Board, signed by each individual member of the Board voting in favor of the resolution. All documentation considered by the Board in adopting each such resolution shall be explicitly referenced in the minutes of the meeting at which the resolution was adopted and shall be made available to OTS representatives upon request.

PART IV - GENERAL PROVISIONS

Section 4.1 Jurisdiction.

This PCA Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

Section 4.2 Definitions.

(a) All technical words or terms used in this PCA Directive, for which meanings are not specified or otherwise provided by the provisions of this PCA Directive, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA, OTS Bulletins, or OTS Examination Handbook. Any such technical words or terms used in this PCA Directive and undefined in Code of Federal Regulations, HOLA, FDIA, OTS Bulletins or OTS Examination Handbook shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

(b) Reference in this PCA Directive to provisions of statutes and regulations shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

Section 4.3 Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the PCA Directive to be made upon, given or furnished to, delivered to, or filed with the OTS or the Institution shall be in writing and sent by first class U.S. mail (or by reputable overnight courier, electronic facsimile transmission, or hand delivery via messenger) addressed as follows:

OTS: Regional Director
 Office of Thrift Supervision
 One South Wacker Drive, Suite 2000
 Chicago, Illinois 60606
 Facsimile: (312) 917-5002

Institution: Home Federal Savings Bank
 9108 Woodward Ave.
 Detroit, Michigan 48202-1612
 Attn.: Board of Directors
 Facsimile: (313) 873-6395

Section 4.4 Duration, Termination or Suspension of the PCA Directive.

(a) The terms and provisions of this PCA Directive shall be binding upon the Institution, its directors, officers, employees, agents, successors, assigns, and other persons participating in the affairs of the Institution.

(b) The PCA Directive shall remain in effect until terminated, modified or suspended in writing by the OTS.

(c) The OTS, in its discretion, may, by written notice, suspend any or all provisions of the PCA Directive, except for Section 2.1 (Mandatory Restrictions).

Section 4.5 Effect of Headings.

The Part and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 4.6 Separability Clause.

In case any provision in this PCA Directive is ruled to be invalid, illegal or unenforceable

by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby unless the OTS, in its sole discretion, determines otherwise.

Section 4.7 No Violations Authorized; Consequences of PCA Directive.

Nothing in this PCA Directive, including, without limitation, any of the timeframes for actions set forth in Part I, shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting the OTS from taking such actions as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, actions pursuant to 12 U.S.C. § 1831o, or taking any other type of supervisory, enforcement, or resolution action that the OTS determines to be appropriate.

Section 4.8 Other Enforcement Documents.

(a) The Order to Cease and Desist and its accompanying Stipulation and Consent to the issuance by OTS issued against the Institution on July 16, 2004, remains in effect.

(b) The Supervisory Agreement entered into between the OTS and the Institution dated April 23, 2007, remains in effect.

(c) The Temporary Cease and Desist Order effective October 9, 2007, remains in effect.

(d) Nothing contained in this PCA Directive shall affect or limit the OTS's ability to take enforcement action in connection with any violation of these three enforcement documents.

Section 4.9 Effective Date of This PCA Directive.

The provisions of this PCA Directive are effective immediately upon the issuance of the PCA Directive by the Regional Director, which is the date indicated on the first page of this PCA Directive (Effective Date), and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this PCA Directive shall have been amended, suspended, waived, or terminated in writing by the Regional Director.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/S/_____
Thomas A. Barnes, Regional Director
Central Region

Date: See Effective Date on page 1